

March 9, 1998

IMPORTANT

MEMORANDUM

TO: Presidents  
Business Officers

FROM: Kennon D. Briggs, Vice President  
Business and Finance

SUBJECT: Status Report on a Number of Subjects

There are a number of items and issues which we have received calls and inquiries lately. These issues include potential salary increase recommendations, final 1998-99 Consensus Budget and Capital Improvement recommendations, workings of the Funding Study Advisory Committee as it relates to the development of formulae, and the = percent reversion requirement for 1997-98. We felt it was best to provide systemwide the most recent information available, and it is the purpose of this MEMORANDUM to accomplish that purpose.

**Potential Salary Increase Recommendations**

Several of you have called to inquire, as preparations are being made for submission of your 1998-99 budget requests to county commissioners, what salary increase ranges can be expected for next fiscal year. I have made several calls the last few days and can offer you an unofficial opinion. I expect the salary increase for 1998-99 to be in the range of 3-4 percent on a continuing basis. This would be consistent with recent trends tracking the consumer price index and with actions taken by the General Assembly.

You will also note that in the State Board's 1998-99 Consensus Budget there is an item called "Improve and Enhance Instruction and Support Capabilities." This recommendation calls for two actions: 1) Further implementation of the position-to-budgeted FTE ratios, otherwise known as the "sliding scale", and 2) improving support salaries. The funds requested for each of these actions represents approximately 6 percent. This does not mean an additional 6 percent across-the-board salary increase. What it does mean is that more salary increase funds would be available for support staff and that the number of faculty positions allotted would be higher

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Given the recent public debate over the issue of budget transfers, which we were compelled to do for lack of funding in other areas, it is unlikely that the General Assembly will appropriate any additional dollars for faculty salary increases, but could possibly restrict curriculum faculty salaries, thereby forcibly driving up the average salary and/or enabling more full-time faculty to be hired.

I share the information about the Board's request, and the resulting possible scenarios in order to say that IF the General Assembly acts favorably on the request, it could require more county dollars for locally-funded positions to match the funds appropriated by the General Assembly.

### **Final Budget Recommendations**

In the detailed budget transfer information we recently sent to you (CC-98-063), we included "short, snappy" statements about the State Board's 1998-99 budget requests (if you do not have a copy, please contact my office). A brochure is now being printed for distribution to both you and your trustees for use with members of your legislative delegation.

On Monday March 2, President Lancaster and I met with State Budget Officer Marvin Dorman and his staff to present and discuss the budget request. Mr. Dorman was receptive to the system's budget. President Lancaster discussed how the budget request mirrored the budget transfer information; e.g., the State Board is requesting funds in areas where colleges were forced to move funds into in order to operate. It was further noted that IF the budget request was funded, the system would "hold its own in relationship to needs. In other words, a \$20 million increase in technology funding for "other costs" and "instructional support", and at least \$4 million in equipment funds would be equivalent to the net funds transferred out of the curriculum area. Therefore, it will be extremely important for the State Board, trustees, presidents and all system personnel to work in a unified manner in obtaining additional appropriations from the 1998 Session of the General Assembly.

### **Development of Formulae**

Along with the endorsement of the 1998-99 Consensus Budget by the Presidents' Association was a desire to see simulations of how additional funds would be allocated. It was pointed out in January at the Presidents' Association meeting in Wilson that a new formula for equipment funding would be developed, a formula for the disbursement of any renovation and repair (R&R).

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funds which might be appropriated needed to be developed, and that the System Office would disperse a simulated allocation of the "Technology" funds as requested. With respect to the "Technology" funds, we have enclosed a simulated distribution which assumes 1996-97 FTE enrollment and full funding of our request. This may help you both in your "lobbying efforts" and in your planning.

The Funding Study Advisory Committee, chaired by Dr. Marvin Joyner, met February 11 to develop new formulae for both equipment and R&R funds. The committee will meet again on March 11 in hopes of finalizing both formulae. At such time, the System Office can run simulations based upon possible funding scenarios. We will forward these to you soon.

#### **½ Percent Reversion/Tuition Shortfall**

At the regular meeting of the State Board in February, the situation regarding the collection of receipts as it relates to reversions was discussed jointly by the Finance & Capital Needs Committee and the Legislative Committee. Receipts collections have improved substantially during spring semester as FTE enrollments appear to have rebounded. With respect to enrollment, it appears that Curriculum enrollment is basically flat; Occupational is up by over 200 FTE, and Basic Skills is up over 100. Headcount enrollment appears to be up significantly.

Because of the unknowns of both semester conversion, deferred tuition payments, HOPE Scholarship, and collections below estimates in early January, we still feel it was prudent to ask for the = percent reversions early rather than try to call back funds which were already committed. The joint committees felt the same. We discussed with both committees and President Lancaster the possibility of not acting on the reversions until we are certain the receipts collections would continue on a reasonable pace the State Board still holds in reserve a \$1.7 million refund from the Kodak Corporation of new industry funds to offset a tuition shortfall. The major consideration here is to release the reversions in sufficient time for the colleges to be able to use the funds, and still guarantee that a shortfall would not occur beyond the amount in reserve. Toward that end, it was determined that the reversions would be released in mid- to late March. That is our intent and we hope to have confirmation of that action soon.

As always, we hope this information is useful and if there are additional questions or comments, please contact my office.

/kdb